

# INFORMATION FOR EMPLOYERS

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# HOW EXPERIENCE RATING WORKS

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*Massachusetts Department of*  
**Workforce**  
*Development*

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*Division of Unemployment Assistance*

## HOW EXPERIENCE RATING WORKS

The Massachusetts Division of Unemployment Assistance (DUA) maintains an individual account for every employer required to pay unemployment insurance contributions. The account records the employer's wages subject to contribution, the contributions actually paid by the employer, the unemployment insurance benefits charged to the employer, and any account balance adjustment. The account also provides an opening and closing balance for the computation year (October 1 through September 30). An account balance carries over from year to year as long as the employer is required to file quarterly reports.

DUA uses each employer's account to determine an annual contribution rate for that employer. The experience rating process is the method used to determine the rate.

The last day of each fiscal year, September 30, is called the "computation date" when employers' accounts are closed to compute the rates for the following calendar year. Contributions paid in October are credited to the employer's account as if paid in September.

### **CONTRIBUTION**

All money paid for unemployment insurance contributions is deposited in a common fund, the unemployment compensation fund. All unemployment benefits are paid from this fund.

### **THE RATE NOTICE**

Your experience rate notice, Form 9701V, contains all the elements used to determine your rate. The following is a line-by-line description of each element which appears on the rate notice:

#### **Account Balance**

The amount shown represents the balance in your account as of the date indicated. Since this account is a "book account" only, there are no substantive rights to any balance shown.

### **Contributions Paid**

Most payments received during the computation period, regardless of the year and quarter, are applied to your account balance as of the date paid. Any overpaid contributions for the current year that have been credited to a subsequent computational year will not be used in the current computation period.

### **Benefit Charges**

Unemployment benefits paid to a claimant are charged to the account of the employer for whom the claimant worked. Charges are made as of the date the benefits are paid. Credits or other adjustments to the benefit charge account affect the account balance during the computational year in which they occur. Benefit charges can be adjusted only through DUA's Employer Charge Department.

### **Refunds**

Refunds that are issued are subtracted from your account balance during the computational year in which the refunds are issued, regardless of when the overpayment occurred.

### **Solvency Assessment**

DUA maintains a general solvency account to pay benefits that are not assigned to an individual employer. Charges to this account include dependency allowances, State financed extended benefits and State approved training programs.

Your solvency assessment is the result of multiplying your wages subject to contribution by the solvency adjustment factor determined for all subject employers in Massachusetts. The result is an actual dollar amount which represents your share for the computation period. This factor changes from year to year, depending on the charges made to the solvency account during that period. The account balance is zeroed at the start of each fiscal year.

### **Account Balance Adjustments**

Transfers from subsidiary accounts into the master accounts are recorded as adjustments. Subsidiary accounts are not rated.

### **Excess Reserves**

Reserve percentage limits for employers are a positive 50 percent or a negative 25 percent. Amounts in excess of these limits are transferred either to or from the solvency account.

### **Wages Subject to Contributions and Payments**

All wages subject to contribution reported for the computation period and received prior to November 30 of each year are used in the rating process. Payments received after October 31 of each year are not used in the rating process. DUA will estimate the wages for any quarter in the computation period when wages have not been filed or filed late (beyond November 30). Estimated wages are based on the highest wages subject to contribution filed in the computation period. Estimates usually result in a higher rate for the following year. If an employer reports no wages subject to contribution during the applicable computation period, DUA will assign a rate based on a positive or negative account balance as of the computation date.

### **Reserve Percentage**

The result of dividing your account balance by your wages subject to contribution is called your reserve percentage. An account with a positive balance will have a positive reserve percentage. Negative balance accounts will have negative reserve percentages.

### **Experience Rate Schedule and Your Annual Contribution Rate**

The rate schedule for all employers is determined by the **reserve percentage** of the unemployment compensation fund. To arrive at the reserve percentage, the balance of the fund as of the computation date is divided by the total payrolls for all contributing employers in the preceding calendar year. This percentage determines which of the possible schedules is in effect for the year.

Your reserve percentage is applied to the contribution schedule in effect for the applicable calendar year to determine your rate for the year. This rate will be used throughout the calendar year on your quarterly reports.

## **NEW EMPLOYERS**

A new employer pays unemployment insurance contributions at a rate consistent with an account balance reserve percentage of between 10.5 and 11 percent.

New employers in the construction industry pay at a rate consistent with the industry average.

## **NOTIFICATION OF RATE**

By April 20 of each year, DUA will notify employers of their individual rate. The notice will include the employer's account balance, wages subject to contribution, reserve percentage, contribution rate and surcharge rate, when applicable. Employers have until June 20 to request a rate review.

## **VOLUNTARY CONTRIBUTIONS**

Voluntary Contributions is an option that allows experience rated employers to pay additional UI contributions in order to reduce their UI contribution rate for the forthcoming calendar year.

To qualify for the Voluntary Contributions program you:

- must be eligible for experience rating
- must have filed all Forms 0001 (Employer's Quarterly Contribution Report)
- must have paid all Unemployment Insurance contributions, interest and penalties to date

To participate in the Voluntary Contributions program you:

- must submit your voluntary contribution payment by separate check along with your Payment Form 2097
- must return your check and Payment Form by the due date specified in item 13 on Form 9701V
- must submit an exact payment amount that lowers your rate

**For more information about your experience rating account, please call the DUA Contribution Dept. Experience Rating Section at (617) 626-6895. For other contribution questions call (617) 626-5234.**